DOCUMENT RESUME

ED 460 588 EF 005 296

AUTHOR	Hassel, Bryan
TITLE	Paying for the Charter Schoolhouse: Policy Options for Charter School Facilities Financing.
INSTITUTION	Charter Friends National Network, St. Paul, MN.
SPONS AGENCY	Office of Educational Research and Improvement (ED), Washington, DC.; North Central Regional Educational Lab., Naperville, IL.
PUB DATE	1999-02-00
NOTE	28p.
CONTRACT	RJ96006301
PUB TYPE	Guides - Non-Classroom (055) -- Reports - Descriptive (141)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	*Charter Schools; *Educational Finance; Elementary Secondary Education; *Financial Support; *Fund Raising; Money Management; Planning; Public Schools; *School Funds

ABSTRACT

Locating and financing educational facilities is a significant challenge facing many charter schools. This report outlines five options state policymakers can pursue to enable charter schools to gain access to suitable, high-quality facilities. The five options addressed are: creating new revenue streams for facilities cost; giving charter schools access to low-cost financing; creating or stimulating finance pools for charter schools; providing incentives for organizations to supply facilities; and considering other ways to improve the facilities climate. Examples of existing efforts are provided for each of these options. The report also highlights some actions groups other than state policymakers, i.e., Congress, local officials, and charter friends groups, that can help ease the charter facilities challenges. Appendices provide a breakdown of how some states handle per-pupil facilities funding for charter schools, and a list of resources on charter school facilities financing. (GR)

Reproductions supplied by EDRS are the best that can be made
from the original document.

ED 460 588

Paying for the Charter Schoolhouse:

Policy Options for Charter School Facilities Financing

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☒ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

EF 005 296

February 1999

CHARTER FRIENDS NATIONAL NETWORK

Published with support from
NCREL

BEST COPY AVAILABLE

About this charter friends initiative...

This policy paper, "Paying for the Charter Schoolhouse," is the latest in a series of printed and electronic reports emerging from a major initiative on facilities financing launched by Charter Friends National Network in mid-1998. The initiative responds to growing awareness that facilities financing must no longer be an issue addressed outside the parameters of state education finance policies. While charter school operators have been incredibly creative in finding and paying for space, too many precious resources have been diverted from the classroom and too little public and community-level investment has been made in meeting the long-term facilities needs of this important aspect of state-based education reform.

The Charter Friends Network intends to continue its work on facilities financing over the next several months through a combination of hands-on assistance to state Friends Group leaders and policymakers and the development of two additional print and electronic resources: a resource guide for charter school operators on the practical options they face in finding and financing facilities and a report directed at community development organizations and city governments—engaging their assistance in financing charter facilities as part of larger community and economic development initiatives.

The Friends Network intends to use broad dissemination of these publications to continue the education process about both the opportunities and challenges in financing charter school facilities—through mailings, its Web site, workshops at charter school conferences and other means. Comments and suggestions on this document and its use are welcome and should be directed to the Charter Friends National Network (see the inside back cover for the Network's addresses and phone numbers).

About the authors and contributors...

Research and writing for this policy paper were done by Bryan Hassel, cofounder of Public Impact, a North Carolina-based education policy firm. Meredith Miller also provided valuable research assistance. And numerous Friends Group and other charter school and facilities financing experts served as resources and sounding boards in developing the report's major ideas. Many of those individuals are listed as contacts for further information in the report's appendices.

Besides his work on the Charter Friends facilities financing initiative, Bryan Hassel has been involved in a number of other efforts to create a supportive environment for charter schools for the past four years. He helped launch the North Carolina Charter School Resource Center and has been part of a team at SERVE, the Southeastern Regional Vision for Education, that's now designing a leadership institute for charter and other innovative public schools. He also coauthored a U.S. Department of Education report on the role of sponsors in granting charters.

In addition to this policy paper, Bryan previously coauthored three other Charter Friends reports: a 500-page "Sourcebook for Charter School Planning Workshops" and two publications on linking charters and comprehensive school designs. Prior to founding Public Impact, Bryan worked for the Center for Community Self-Help in Durham, North Carolina, one of the nation's largest community development organizations. He holds a Ph.D. in Public Policy from Harvard University. A Rhodes Scholar, he also received an M.Phil. in Politics from Oxford University. Bryan and his wife, Emily, who is cofounder of Public Impact, live in Charlotte, North Carolina.

Production and distribution of this paper were supported by the North Central Regional Educational Laboratory with funds from the Office of Educational Research and Improvement (OERI), U.S. Department of Education, under contract number RJ96006301. The content does not necessarily reflect the position or policy of OERI or the Department of Education, nor does mention of trade names, commercial products, or organizations imply endorsement by the federal government.

CHARTER FRIENDS NATIONAL NETWORK

connecting and supporting state-level charter school initiatives

February 1999

Dear Charter Friend:

Facilities financing has quickly emerged as one of the top priority concerns of charter school operators all across the country. It was also a high priority for directors of resource centers and other state-level charter support organizations surveyed by Charter Friends National Network in early 1998.

In response, the Charter Friends project has launched a major national initiative on charter school facilities financing. Aided by a grant from the Chicago-based Kinship Foundation, this initiative is focusing on the **public policy aspects of facilities financing.** Charter schools are, after all, public schools. They should not be required to locate in inadequate or unsafe facilities. And they should not have to shift money intended to be spent in the classroom to pay rent or make monthly mortgage payments.

At the same time, early charter school pioneers have displayed incredible ingenuity in finding and renovating space. And they have tapped a broad range of community resources and partnerships to create both innovative and efficient school facilities. In many cases, they are doing so at a fraction of the cost of constructing traditional new district school buildings. And they are doing so—through co-locations with other community resources and flexible, creative designs—in ways that add programmatic value to their schools, as well.

For all these reasons, public policies around charter school facilities—like the schools themselves—must break new ground. We must find ways to make it economically feasible to construct and adapt school facilities on a smaller scale. We must encourage partnerships and co-locations with businesses and other governmental agencies and nonprofits. We must think of schools as an essential component in broader urban and rural initiatives to revitalize neighborhoods and attract and retain families.

This report is intended to help policymakers and charter school advocates think through these challenges and begin designing an appropriate public policy response. Your creative thinking and advice to this project can be helpful, as well.

Sincerely,
Jon Schroeder
Project Director

A project of the Center for Policy Studies in cooperation with Hamline University
1745 University Ave., #110 • St. Paul, MN 55104 • 651-649-5479 • 651-649-5472 (fax)
info@charterfriends.org • www.charterfriends.org

Paying for the Charter Schoolhouse:

Policy Options for Charter School Facilities Financing

Executive Summary

Locating and financing facilities has been the most significant challenge facing many charter schools. This report from the Charter Friends National Network, published with support from the North Central Regional Educational Laboratory (NCREL), outlines five options state policymakers can pursue to enable charter schools to gain access to suitable, high-quality facilities.

The report describes four dimensions of the charter school facilities finance challenge:

- *The supply challenge:* In many places, very few suitable facilities are available.
- *The revenue challenge:* While district schools generally have special funding streams for capital, most charter schools must pay for facilities out of their regular operating funds.
- *The tax status challenge:* Charter schools are generally unable to take advantage of the low-cost financing available to district schools through tax-exempt bonding authority.
- *The risk challenge:* Lenders, investors, and property owners often regard charter schools as high risk, charging them a premium or refusing to do business altogether.

In response to these challenges, policymakers across the country have begun to employ options to alleviate charter schools' facilities problems. This report reviews five of those options, providing examples of existing efforts to implement them:

- ***Option One: Create new revenue streams for facilities costs.*** Several states now offer charter schools per-pupil revenues beyond their operating funds to pay for facilities. One state, Florida, also provides larger per-pupil payments that can be used to help charter schools pay for buildings upfront.
- ***Option Two: Give charter schools access to low-cost financing.*** Two states have empowered existing bonding authorities to issue tax-exempt bonds for charter schools. Another option is to ensure that charter schools can issue tax-exempt debt directly.

Four Dimensions of the Charter School Facilities Finance Challenge

- ***The supply challenge***
- ***The revenue challenge***
- ***The tax status challenge***
- ***The risk challenge***

- *Option Three: Create or stimulate finance pools for charter schools.* Chicago Public Schools and several private entities have established dedicated loan pools for charter schools.
- *Option Four: Provide incentives for organizations to supply facilities.* Policymakers can encourage local school districts, other governmental entities, property owners, employers, and real-estate developers to provide facilities for charter schools.
- *Option Five: Consider other ways to improve the facilities climate.* A variety of options are being used to address investors' concerns about the short terms of charters, ensure that charter schools are exempt from property taxes, make it clear that charter schools can own facilities, and make it possible to convert existing schools to charter status.

Five Options for Meeting the Facilities Finance Challenge

- ***Create new revenue streams.***
- ***Provide access to low-cost financing.***
- ***Create and/or stimulate finance pools.***
- ***Provide incentives for organizations.***
- ***Consider other ways to improve the facilities climate.***

Addressing the Charter School Facilities Finance Challenge

For many of the 1,100 charter schools now operating around the country, locating and financing facilities has been the most daunting challenge. In one Midwestern state, four of the ten charter schools that had been approved could not open in the fall of 1997 because they were unable to find suitable and affordable facilities. Earlier in 1997, a chartering authority in another state rescinded more than a dozen charters from schools that never opened, in many cases because the schools' organizers could not find or afford space. Even for many schools that manage to find space, problems remain: facilities are too small to accommodate growing enrollment; facilities are not well matched to the school's academic program; or the cost of facilities eats into funds intended to pay for instruction. As a result, in the U.S. Department of Education's nationwide survey of charter schools, "inadequate facilities" ranked third on a long list of barriers cited by charter operators. The closely related items "lack of start-up funds" and "inadequate operating funds" ranked first and second.

Charter schools have approached this issue with great creativity. They have converted many kinds of buildings into functional, attractive schoolhouses. They have found ways to carry out some school activities—like athletics—in nearby facilities rather than trying to do everything on campus. They have persuaded property owners to donate space or offer it at a reduced rate. They have tapped into existing sources of financing for community development. And they have found a range of sources of private funding for school construction and renovation. As in many other domains, charter schools have emerged as innovators and pioneers in the area of school facilities.

But as creative as charter schools have been, the facilities challenge requires a response from policymakers, for several reasons:

BEST COPY AVAILABLE

- **Giving charter schools a chance to have an impact:** To give the charter school idea a full test, policies should be enacted to make it possible for a large number of them to emerge and prosper. The facilities challenge,

however, threatens to place artificial limits on the supply of new charter schools. For policymakers serious about expanding the number of quality charter schools, addressing facilities issues should be a top priority.

- **Focusing operating resources on quality instruction:** In traditional public school finance, capital costs are paid for with revenue streams that are separate from operating revenues, freeing up schools to spend all of their operating dollars on their educational programs. As part of creating a "level playing field" for charter schools, policymakers should ensure that charter schools have the same opportunity to focus resources on academic pursuits.

- **Ensuring equal access to the charter school opportunity:** Part of the appeal of the charter idea is that any group of citizens—including parents, teachers, and grassroots community organizations—can propose a charter school. But some groups—such as parents in low-income neighborhoods—have more difficulty than others obtaining financing for school facilities because they lack the resources needed to guarantee financing or access to technical expertise. If policymakers want citizens from all walks of life to have the chance to launch charter schools, it is vital to ensure that "deep pockets" are not a prerequisite.

- **Informing broader policy debates about school funding:** Across the nation, debates rage about how to provide funding for public education in an equitable fashion. Many people (and courts) believe that the traditional system—in which schools' capital resources depend largely on local wealth—is unfair, and states are groping for solutions. Since charter schools have no tax base, they represent a critical testing ground for policies designed to disengage school capital funding from local wealth. Ideas pioneered in the charter school arena—like having all funding following students—could help influence the general restructuring of school funding systems.

This report from the Charter Friends National Network—the result of more than one year of research on promising strategies under way around the country—aims to sketch out a policy agenda to address the charter school facilities finance challenge. Since states' charter school laws and school funding systems are so different, the document does not offer specific model legislation. Instead, it lays out five strategies that policymakers might consider when thinking about the charter facilities problem, providing examples of states that are putting the strategies into practice and probing some of the issues policymakers need to consider as they move ahead.

The report has three main parts: "Dimensions of the Facilities Financing Challenge" gives more detail about the difficulties facing charter schools in obtaining adequate and affordable facilities. "Five Promising Options for State Policy" sets out some principles to guide charter facilities policymaking and provides details about the five recommended strategies for state policymakers. And "Beyond State Policy" looks briefly at some actions groups other than state policymakers—Congress, local officials, charter friends groups, and charter schools themselves—can take to ease the charter facilities challenge.

Dimensions of the Facilities Financing Challenge

State charter school laws typically do not provide charter schools with any up-front funding for facilities, nor do they provide charter schools with ongoing revenue with which to make lease or loan payments.

Why have charter schools faced such difficulties in locating and financing facilities? Understanding the roots of the problem is essential to crafting policy responses. This report identifies four key dimensions to the charter school facilities challenge: the *supply* of adequate facilities, the lack of *revenue* for charter school facilities, the sometimes ambiguous *tax status* of charter school finance and facilities, and the *risk* private lenders and investors face in the charter school market.

Before addressing each dimension, a word about terminology is in order. When charter schools seek financing for facilities, they may do so in a number of ways. They may approach a lender for a loan, approach investors to purchase bonds or otherwise make an investment, or approach a property owner for a long-term lease. Though these are different forms of financing, they present more or less the same issues for charter schools. To simplify the presentation, this document generally uses the term "investors" to refer to those who might provide charter schools with the means to obtain a facility—whether those investors are lenders, property owners, potential holders of bonds, or other providers.

The Revenue Challenge

Though the number of exceptions is growing, state charter school laws typically do not provide charter schools with any up-front funding for facilities, nor do they provide charter schools with ongoing revenue with which to make lease or loan payments. As a result, charter schools must raise private funds or find other financing for up-front costs and then make lease and loan payments out of their operating funds. Since it is not uncommon for facilities costs to amount to 20 to 25 percent of a charter school's costs, the net effect on a school's operating budget can be severe.

The Tax Status Challenge

School districts typically raise capital funding by issuing tax-exempt bonds, or by having other local government bodies do so on their behalf. Since investors in tax-exempt bonds do not pay taxes on the interest they earn, these bonds carry a lower interest rate than fully taxable bonds. In addition, school districts typically do not pay property taxes on the land and buildings they own. These two tax advantages lower the overall costs of district school facilities significantly. Though charter schools are public schools, it is often ambiguous whether they are granted these same tax advantages. In particular, it is sometimes unclear:

- Whether charter schools themselves may issue tax-exempt debt.
- Whether other public bodies (such as city and county governments or special-purpose finance authorities) may issue tax-exempt bonds on behalf of charter schools.
- Whether charter school facilities are exempt from property taxes.

In other cases, state law explicitly denies such advantages to charter schools. For example, North Carolina law prohibits county governments, the state's chief providers of school facilities funding, from offering capital funds to charter schools. Consequently, charter schools end up paying more for facilities than they would if they were part of conventional school districts.

The Risk Challenge

The final, but perhaps most significant, dimension of the charter facilities challenge is the risk faced by investors in charter school facilities, be they lenders, property owners, bond investors, or others. In conventional school bond issues, potential bondholders generally regard these bonds as very low-risk investments. Typically, the bonds are backed by the "full faith and credit" of the issuing authority, which means that the issuer promises to tax its citizens as much as it needs to in order to repay the bonds. And, in any case, there is little chance that a school district (or other government issuer) will go out of business. Since district school bonds are such a low-risk proposition, investors are willing to accept relatively low interest rates.

Charter schools do not enjoy the same reception in the capital markets. To begin with, charter schools do not have the authority to tax citizens, so they cannot pledge future tax payments as backing for financing. In addition, potential investors may regard charter schools as high-risk for a variety of reasons:

- **Start-up/management risk:** Any enterprise without a proven track record—charter school or not—is likely to look risky to a potential investor. High turnover rates and the overall newness of the charter field may heighten such fears in the charter school case. In truth, very few charter schools have failed (see box). But investors are still likely to charge a premium to charter schools, especially those starting from scratch.

Potential investors may regard charter schools as high-risk investments because of:

- ***Start up/management risk factors***
- ***Renewal risk factors***
- ***Collateral risk factors***
- ***Political risk factors***

National Study Shows Charter School Success Rate Very High

The U.S. Department of Education's nationwide charter school study reports that of the 712 charter schools that opened through the time of the study, only 19 had ceased operation as of September 1997. And of these 19, seven discontinued their charters but remained open, either as private schools or by merging with other charter schools. Less than 2 percent of charter schools closed because they lost their charters or voluntarily "went out of business." Read the national study at the U.S. Department of Education's Web site (ed.gov/pubs/charter98).

- **Renewal risk:** Charter schools receive charters with a fixed term. In most states, they must seek renewal at the end of three to five years. Many facilities loans and leases, by contrast, must extend for 15-30 years in order to be economically viable for the school. So investors must be willing to offer financing with a term longer than that of the charter. By itself, this situation does not introduce any special risks for investors in charter schools—a typical business borrower, of course, has no charter at all and could go out of business at any moment. But if the process by which a school's renewal will be handled and the criteria by which it will be judged are not clear or are highly political, investors may regard the renewal process as a risk that is difficult to assess and, thus, high.
- **Collateral risk:** In the event that a charter school fails, at least investors can assume control of the financed facility and try to recoup their investments. But two factors might lower the value of this collateral in the charter case. First, buildings fashioned as schools may be difficult to convert to other uses; if no other school is willing to occupy the facility, investors may suffer a loss. Second, state charter laws are sometimes unclear about what happens to a charter school's assets in the event of closure. For example, a charter law that directs school assets to revert to the local school district may decrease the value of the collateral to investors.
- **Political risk:** In addition to the school-specific risks above, investors may also worry that the state legislature might discontinue its authorization of charter schools. No state has done so to date, but the possibility exists.

One of the first problems many charter schools face is simply the relative scarcity of appropriate facilities for schools in their communities

The Supply Challenge

One of the first problems many charter schools face is simply the relative scarcity of appropriate facilities for schools in their communities. Schools require a fairly large amount of space that is configured (or can be) for educational uses. Often, there are few properties available that fit the bill. And those that are available may well be too expensive for charter schools to consider or require renovation that would be too costly to undertake. These problems are especially severe in rural areas and in locations with tight property markets.

Five Promising Options for State Policy

This section includes a set of principles to guide charter school facilities policymaking, followed by a description of five promising options for state policymakers to consider to address the facilities challenge. Each of these options is based on actions taken by some state legislatures or local governments in the United States, though no state has yet adopted a complete charter school facilities policy. The first four options roughly address the four dimensions of the charter school facilities challenge described in the previous section: Option One addresses the revenue challenge; Option Two, the tax-status challenge; Option Three, the risk challenge; and Option Four, the supply challenge. Option Five addresses multiple challenges.

Principles to Guide Charter School Facilities Policymaking

The charter school concept is based on a set of principles about how schools should be authorized, governed, regulated, and funded. Many of these same principles can guide policymaking on charter school facilities:

- **Level playing field:** Give charter schools access to the same fiscal advantages that school districts enjoy. These advantages need not be structured identically to districts' financing systems; alternative structures that provide equivalent advantages still create a level playing field. In the facilities context, the primary advantages typically afforded districts are:
  - ✓ Access to low-cost capital (typically through tax-exempt bonds)
  - ✓ Public guarantees of districts' obligations (typically through taxing authority)
  - ✓ A revenue stream above and beyond operating funds to pay facilities costs
  - ✓ Exemption from property taxes

  It should be noted that school districts often do not receive the first three of these advantages automatically—in many jurisdictions, districts (or others acting on their behalf) must obtain "yes" votes on public referenda or go through other processes to gain authorization for borrowing. A level playing field therefore demands that charter schools face some equivalent mechanisms, which are described under the "accountability" principle below.
- **Equal access:** Policymakers should strive to make it possible for all successful charter school operators—not just those from wealthy communities or with wealthy backers—to have access to the sorts of financing discussed in this report.
- **Flexibility:** In the spirit of charter school autonomy, facilities funding should not come with regulatory "strings" beyond those required to ensure that funds are properly spent and accounted for.
- **Accountability:** The traditional mechanism for ensuring that a school districts' facilities financing is sensible—the requirement of a public referendum on the issuance of bonds—cannot be used in the charter school case, since charter schools do not have defined political jurisdictions or electorates. Policymakers must look for other ways to ensure that funds are used appropriately.
- **Efficiency:** In many arenas, charter schools are experimenting with ways to do things differently, and often more efficiently, than district schools. Facilities should be no exception. Policymakers should consider including incentives for charter schools to find new ways to be economical in their facilities decisions.

Policymakers should consider the following principles related to charter school facilities funding:

- ***A level playing field***
- ***Equal access***
- ***Flexibility***
- ***Accountability***
- ***Efficiency***

Option One: Provide Adequate Revenue to Cover Facilities Costs

A first option for addressing the facilities challenge is to ensure that charter schools receive a fair share of public funding available for school capital costs. Since most state funding formulas for charter schools only provide a share of operating funds, these schools typically have to dig into operating dollars to make lease or loan payments. To address this problem, policymakers should consider following the lead of a small number of charter states by providing revenue—above and beyond regular operating funds—for charter school facilities costs.

Five jurisdictions have begun to provide such funding: Arizona, the District of Columbia, Florida, Massachusetts, and Minnesota. (Appendix A explains the essential terms of each of their policies; Appendix B contains contact information). In crafting these funding mechanisms, policymakers grappled with a set of issues:

- **Amount:** The amount of annual funding provided by states ranges from as much as $1,200 per pupil for some schools in Arizona to as little as $260 per pupil for schools in Massachusetts.
- **Basis:** The variation in amounts springs largely from different bases used by states to set charter schools' facilities revenue. Four basic models are outlined in the box below. In addition, most states (but not all) provide more money per pupil for high schools than for elementary schools.

Different Ways to Calculate Charter School Facilities Funding

New construction costs. Florida statutes establish the projected cost of constructing a new elementary, middle, and high school. Annual per-pupil facilities funding for charter schools in Florida is simply these amounts divided by 30, the estimated amortization period for school facility financing.

District's actual annual costs. Minnesota totals up what school districts actually spend annually on facilities costs (e.g., debt service on past bond issues), divides this number by the number of pupils, and arrives at an average per-pupil expenditure. This number forms the basis for a statewide maximum in "building lease aid" that a charter school can receive.

State's annual costs. In Massachusetts, the state provides millions of dollars per year for local districts' capital projects. The state divides this total by the number of public school students in the state to determine the average per-pupil state capital expense, and then provides this amount to charter schools on a per-pupil basis.

Charter schools' projected needs. In Arizona, part of the amount charter schools receive for facilities has been based on projections of how much typical charter schools will spend on facilities.

- **Source.** In most jurisdictions, per-pupil funding for charter school facilities is "new money"—not funds deducted from allocations to districts. In Arizona, the money "follows the child" from a district to a charter school.
- **Flexibility.** In all states but Florida and Minnesota, charter schools may spend this funding as they see fit, including expenditures on items other than school buildings. For example, if a school in Massachusetts obtained a donated facility, it still received $260 per pupil in 1998-99 for facilities. In Minnesota, by contrast, schools are reimbursed for a portion of actual lease costs incurred, up to a maximum level. Florida restricts use of the money to capital outlay—though this term includes equipment as well as bricks and mortar.
- **Incentives for economy.** Each state provides some incentive for charter schools to be economical in meeting their facilities needs. In all the states but Minnesota, schools have this incentive because they may use the funds they receive for capital for any purpose (see previous bullet). As a result, any savings they realize on facilities may be used for other school needs. In Minnesota, the state reimburses only up to 80 percent of a school's lease cost. Requiring a 20 percent "co-payment" gives schools an incentive to hold costs down.
- **Annual vs. one-time.** Alone among these states, Florida also makes it possible for charter schools to receive lump sum payments in lieu of annual facilities funding through the School Infrastructure Trust Fund (see box).

To ensure adequate revenue for charter schools facilities, some states provide revenue over and above regular operating funds. Variations in this funding relate to:

- ***Amount***
- ***Funding basis***
- ***Source***
- ***Flexibility of spending***
- ***Incentives for economy***
- ***Frequency (annual vs. one time)***

Florida's School Infrastructure Thrift (SIT) Fund

A district in which charter schools have been operating in nondistrict facilities for at least a year is eligible for payments from $5,800 (for elementary) to $8,800 (for high school) per pupil attending the charter schools. And as the charter schools' enrollment grows, the district receives additional payments. While districts are not technically required to share this money with the charter schools that generated it, most are doing so because their application to the state for the money must be signed by the charter school(s) in question. Escambia Charter School received nearly $1.26 million in 1998 under this program. A full listing of SIT awards is available online (www.firn.edu/doe/bin00046/046_266.htm); links to the legislation are in Appendix B.

BEST COPY AVAILABLE

Option Two: Give Charter Schools Access to Low-Cost Financing

Option One gives charter schools a source of funds with which to repay loans or make lease payments. But it does not address the high cost charter schools are likely to pay for loans and leases due to factors described in the "Dimensions" section. One way state policymakers can bring down those costs is to ensure that charter schools have access to tax-exempt financing or some equivalent low-cost form of capital.

Charter schools have two paths to tax-exempt financing:

1. ***Convince some entity (e.g., city or state) with the power to issue tax-exempt debt to do so on its behalf.***
2. ***Convince a lender that the charter is a public authority and any financing provided to it is tax exempt.***

Tax-exempt financing

To tap into tax-exempt financing, a charter school has two main choices: (1) convincing some entity with the power to issue tax-exempt debt (like a city, state, or another public authority) to do so on its behalf; (2) convincing a lender or other investor that since the charter school is itself a public authority, any financing provided to it is tax-exempt.

What types of state policy smooth these two paths for charter schools? State laws can make it easier for charter schools to obtain this kind of financing in these ways:

- **Making it clear that existing entities may issue bonds on behalf of charter schools.** All states empower a wide range of public bodies to issue bonds—cities, counties, and a host of special purpose authorities, such as those created to issue bonds for postsecondary educational institutions, cultural institutions, and housing or medical facilities. But states often restrict the purposes for which these bonds may be issued. For example, some states have legislation stating that a given entity may only issue bonds for an explicit list of purposes. Because most of these laws were passed long before charter schools existed, charter school facilities may not be included in such lists of eligible purposes. State policymakers can address charter schools' facilities needs by making it clear in legislation that a range of entities may issue bonds on behalf of charter school projects. Such laws do not *require* them to do so, but they open up an avenue that charter schools can pursue (see box on page 11 for two recent examples).
- **Making it easier for charter schools to issue tax-exempt debt on their own by clarifying their status as public authorities.** Since charter schools are public schools, authorized by a public body and subject to closure by that public body, it can be argued that charter schools are in fact public entities in their own right and thus eligible to obtain tax-exempt financing on their own. For example, a bank making a conventional loan to a charter school would not have to pay federal income taxes on the interest it earned if the charter school were in fact a public entity. The legal issues surrounding such financing, however, are complex, and state legislatures could make them easier to arrange by clarifying in statute that charter schools are public entities. The exact language required would vary from state to state. In addition, policymakers would want to investigate whether such a declaration would have other implications for charter schools. For example, would being a public entity create certain obligations for charter schools (regarding reporting, board membership, and so on) that would impose added burdens upon them?

Colorado and North Carolina Expand Bonding Authorities to Include Charters

State legislatures in both Colorado and North Carolina have passed legislation altering the rules governing existing bonding authorities to make charter schools eligible for financing.

- In **Colorado,** the General Assembly changed the name of the Colorado Postsecondary Educational Facilities Authority to the Colorado Educational and Cultural Facilities Authority and expanded the list of eligible beneficiaries to include an organization that "provides an educational program pursuant to a charter from a school district." Contact Mark Gallegos at the Authority (303-297-7332) or see Colorado Senate Bill 82 (1998) online (www.state.co.us/gov_dir/leg_dir/sess1998/sbills98/sb082.htm).

- In **North Carolina,** the General Assembly expanded the mandate of the North Carolina Educational Facilities Finance Agency to include any "nonprofit institution within the State of North Carolina authorized by law and engaged or to be engaged in the providing of kindergarten, elementary, or secondary education, or any combination thereof." Contact Bryan Hassel of the North Carolina Charter School Resource Center (704-370-0357) or see North Carolina Senate Bill 1556 (1998) online: (www.ncga.state.nc.us/html1997/bills/ratified/senate/sbil1556.full.html).

- **Facilitating the arrangement of pooled financing for charter schools.** Clearing the *legal* path for the issuance of bonds on behalf of charter schools is one step toward opening up this avenue of funding. But there are also *economic* barriers to charter schools' access to tax-exempt financing; these are addressed under Option Three, below. As that section will describe, one way policy can address these economic barriers is by making it easier for charter schools to join together for the purposes of obtaining low-cost financing.

Tax-exempt equivalents

Tax-exempt financing is desirable, but there is nothing magical about it. Tax-exemption is just a way to obtain a lower interest rate on financing. Policymakers might consider other ways of achieving the same objective. Here are two options:

- **Low-interest loan pools for charter schools.** In Chicago, the school district recognized charter schools' need for facilities funding and established a $2 million pool of funds from which charter schools could borrow. Managed by the Illinois Facilities Fund (a nonprofit community development financial institution, or CDFI), the pool offers loans with an interest rate of 5 percent. Though not tax-exempt, this source of

financing provides schools with loans at rates considerably below what the market offers. State policymakers could consider appropriating funds for similar pools elsewhere. As will be described in more detail under Option Three, such pools could also help address the risk issues faced by charter schools that are in the market for financing.

- **Tax credits for investments in school facilities.** The U.S. Congress recently created the Qualified Zone Academy Bond (QZAB) program (see box), which provides federal income tax credits for lenders that provide financing for schools. Because the tax credit is approximately equal to the interest they would have earned on the loans, lenders can offer the financing at no cost, or at a very low cost, to the borrower. State legislatures could establish similar tax credits, either for investments in public schools broadly (as with QZABs) or for investments in charter schools specifically.

Legislation that supports tax-exempt financing for charter schools may:

- ***Allow a range of entities to issue bonds on behalf of charter schools***
- ***Designate charter schools as public entities***
- ***Facilitate the arrangement of pooled financing***
- ***Establish tax credits for lenders that provide financing for charter schools***
- ***Establish low-interest loan pools***

Qualified Zone Academy Bonds (QZABs)

Schools in federal "enterprise communities" and those with student populations greater than 35 percent low-income are eligible to issue QZABs to pay for renovating facilities, purchasing equipment, developing materials, and training teachers. The school pays no interest on the bond. In lieu of interest, bondholders receive a federal tax credit equivalent to a federally set market rate of interest, currently about 5.6 percent. Each state has a certain amount of "QZAB authority" each year, ranging from half a million in less populous states to over $50 million in California.

For more information about QZABs, visit the QZAB Web site (ed.gov/offices/OVAE/qzab.html) or contact Dr. Laurence Peters (202-401-0843).

Option Three: Create or Stimulate Finance Pools for Charter Schools

Part of Option Two is to solve a legal problem, guaranteeing charter schools access to certain types of financing. In practice, however, charter schools may face economic difficulties in actually tapping these sources. In line with the risk challenge described above, many charter schools may look too risky to potential investors to obtain the low-cost financing we see in traditional school construction. Investors may refuse to provide financing at all, or they may charge a steep premium that is unfeasible or that eats deeply into charter schools' operating budgets.

Traditional school finance avoids these problems with two mechanisms. First, school districts (or the entities that obtain financing for them) have the power to obtain the funds they need by taxing citizens. Second, school districts are virtually guaranteed of surviving from one year to the next since they are the primary providers of public education within their jurisdictions.

Policymakers cannot hope to replicate these conditions for charter schools. Charter schools do not have taxing power, nor would it make much sense to grant it to them. And guaranteeing the survival of individual charter schools from one year to the next would undercut one of the fundamentals of the charter idea: the notion that a charter school that fails to deliver results or attract students must go out of business.

In order to level this playing field, then, policymakers must find alternate ways of mitigating the risk of investing in charter schools. Option Three focuses on ways states can create finance pools to serve that purpose. It explains two models: direct loan pools and risk reserves.

The Chicago loan pool—created to provide low-cost capital to charter schools—is an example of how a public appropriation has mitigated charter schools' risk problems.

Direct loan pools

The most straightforward version of this idea is simply to use public appropriations to create pools of funds that are then lent out directly to charter schools on favorable terms. The Chicago loan pool—described earlier as a way to provide low-cost capital to charter schools—is also an example of how a public appropriation has mitigated charter schools' risk problems. Because the Illinois Facilities Fund (IFF) received $2 million from Chicago Public Schools, it is willing to engage in higher-risk lending than it ordinarily would. For example, IFF typically does not make loans to start-up enterprises, preferring to see a track record before extending financing. But in the charter school case, the public funding made it possible for IFF to lend to start-up charter schools. In addition to providing financing, the IFF also offered recipients much needed technical assistance on the "business" side of running a charter school. For more information, contact IFF's Joe Neri (312-629-0060).

While IFF is a rare example of a public-appropriation-funded charter school loan pool, the box on page 14 contains several examples of privately funded efforts with a similar flavor.

Here are two issues to consider when establishing such pools:

- **Administration:** Who will manage the pool? Rather than undertaking the task itself, the Chicago Public Schools contracted with the Illinois Facilities Fund to administer the pool. Many other communities around the country have similar community development financial institutions or CDFIs, which may be candidates for playing this role (for a list of CDFIs, see www.communitycapital.org). Alternatively, a conventional bank might play that role—a bank, for example, manages the privately capitalized Texas Financial Foundation (see box). If such sources of expertise exist, it makes sense to look into tapping them rather than reinventing the wheel. Working with such organizations, of course, raises a host of issues, prominent among them compensation and accountability.

- **Restrictions:** Policymakers need to consider what restrictions to place on the loan pool's use: eligibility requirements; restrictions on terms (rates, payback periods, collateral); and stipulations about legitimate uses of funds.

Privately Capitalized Charter School Loan Pools

Connecticut Health and Education Facilities Fund (CHEFA). CHEFA makes direct loans to Connecticut charter schools in amounts up to $150,000. Loans are for five years with interest rates of 5.9 percent. Contact David Eikenberry (800-750-1862). For general information on CHEFA, visit its Web site (www.chefa.com).

The Financial Foundation for Texas Charter Schools. Though the Foundation provides working capital rather than facilities loans, this $3 million pool is a model for privately established charter loan funds. At a rate of 4 to 5 percent, the Foundation's loans are administered by a national bank. Contact Molly Ladd, executive director (713-420-5306). The Foundation is affiliated with the Charter School Resource Center of Texas. For general information about the Resource Center, visit its Web site (www.charterstexas.org).

National Cooperative Bank (NCB) (nationwide). The National Cooperative Bank is a national lender to cooperative enterprises and nonprofit organizations. NCB has recently established a loan program for charter schools. Contact Kerine McNicholas (202-336-7729). For general information on the bank, visit the NCB Web site (www.ncb.com).

Prudential's Social Investments Program (New Jersey and selected cities). The Prudential Insurance Company's Social Investment Program has made more than $6 million in loans to charter schools in New Jersey, with plans to offer the same program in other cities. Interest rates range from 2.5 to 5 percent for working capital loans, and from 5 to 7.5 percent for long-term facilities loans. Contact John Kinghorn (201-802-6995). For general information about Prudential's Social Investments Program, visit its Web site (www.prudential.com/community/corporate/cmczz1005.html).

Self-Help (North Carolina). Self-Help is a statewide nonprofit community development financial institution. Self-Help's focus is on providing access to capital to those who cannot obtain it through conventional sources. Through its Community Facilities Fund, Self-Help has made several loans to charter schools for facilities and other purposes. Creative deal structures and the use of federal loan guarantees have made it possible for Self-Help to assist schools that were "unbankable" at conventional institutions. Loans carry a market rate of interest. Contact Laura Benedict (919-956-4400) or visit Self-Help's Web site (www.selfhelp.org) and look for Community Facilities Fund.

Other providers. In addition to all of these nonprofit-oriented providers, there are also numerous for-profit lenders making financing available to charter schools for facilities.

Risk reserves and other "credit enhancement"

A more complex approach to creating finance pools is to create pools of capital that are not themselves lent out, but which instead serve as "reserve" or "guarantee" pools for privately provided financing. Under such an initiative, a state appropriation would be held in escrow by a trustee. If a charter school that was part of the pool went out of business, investors could recoup what they were owed (perhaps over time) from the pool. Because only a small percentage of charter schools would be expected to fail, one dollar placed into such a pool could potentially "leverage" several more dollars in private financing.

A more complex approach to creating finance pools is to create pools of capital that are not themselves lent out, but which instead serve as "reserve" or "guarantee" pools for privately provided financing.

While there are no working models of such a program in the charter arena, similar approaches have been successful in other domains. For example, North Carolina's Self-Help (see loan pools box on page 14) operates a loan pool for child care centers in which state money forms the underlying guarantee. And similar arrangements are under development for charter schools. The Charter Schools Development Corporation in Washington, D.C., recently received federal funding to design an initiative called "Kinder Mae." Initially focused on the District of Columbia, the program may offer services, such as loan guarantees, interest rate subsidies, and other instruments, to help reduce the risk to private investors and lower the cost of financing to charter schools. For more information contact Richard Thompson (202-739-9630) or Mindy Kaiden (202-739-9796) or read more at Education Week on the Web (www.edweek.org/ew/vol-18/12chart.h18).

The same issues surrounding the creation of a direct loan pool—administration and restrictions—would apply to a risk reserves approach as well. In particular, policymakers would need to consider how much leverage to seek with such a pool. On this question, policymakers face a tradeoff between achieving leverage and reaching deeply into the charter school population. Charter schools vary greatly in the degree of risk they present to investors. Charter schools that are starting from scratch and do not have the backing of existing organizations or well-to-do individuals look the most risky; those converting existing schools or with ties to strong organizations or other "deep pockets" look less risky. In a pool made up exclusively of the less-risky deals, a dollar of reserve might leverage five to ten dollars in private financing. In a pool of the riskier deals, two-to-one leverage (or less) may be all that is possible.

Supplementing state appropriations

The foregoing discussion treated these pools as if they would be wholly capitalized by state appropriations. But it may be possible to bring additional resources into the pools through a couple of mechanisms:

- **Generating private matching funds:** As illustrated in the box on page 14, private charitable resources may also be available to capitalize these pools. One possibility is to use a public appropriation to stimulate private donations to a pool, generating matching dollars that stretch the impact of the appropriation. For example, a state could offer a tax credit for investments in such pools.

BEST COPY AVAILABLE

In Washington, D.C., charter schools have had the opportunity to bid on favorable terms when vacant schools go on the market—obtaining space for perhaps 20 percent below the otherwise lowest bid made.

- **Using federal charter school funds:** Many states receive grants from the U.S. Department of Education for charter schools. While most of this funding must be passed on to charter schools as grants, a portion may be used to capitalize finance pools for charter schools. California has established such a pool. For more information, contact Ging Tucker (916-324-4536) or read a memo describing the program at the California Department of Education's Web site (www.cde.ca.gov/ftpbranch/retdiv/charter/revloan1.html).

Option Four: Provide Incentives for Organizations to Supply Facilities

State policy might also play the role of encouraging various organizations to provide facilities to charter schools at low costs. The obvious target of such policies in some places is local school districts that have vacant school space. In Washington, D.C., for example, charter schools have had the opportunity to bid on favorable terms when vacant schools go on the market—obtaining space for perhaps 20 percent below the otherwise lowest bid made. While there have been numerous problems with this process (e.g., an intricate bureaucratic process, questions about how favorable the terms really are, the condition of the buildings), other jurisdictions could consider similar or better ways to require local school districts not to "sit on" existing space. As a starting point, Washington, D.C.'s policy for disposing of surplus facilities is online (www.k12.dc.us/DCPS/policies/other_policies.html/disposition_amend.html).

Aside from local districts, other potential providers of space include:

- **Other government entities:** Public agencies could be required by law to offer vacant space to charter schools (and perhaps other nonprofit/public entities) on favorable terms. Some District of Columbia charter schools inhabit an "incubator" this fall managed by the nonprofit AppleTree Institute for Educational Innovation. The incubator is located in a former federal government facility leased to AppleTree under very favorable terms. Contact Jack McCarthy (202-488-3990).
- **Property owners**: Legislation introduced in North Carolina's general assembly would provide tax credits to property owners who donate space in certain areas to certain kinds of nonprofit organizations. For some properties, such a tax credit (in conjunction with other tax advantages of charitable donations) could make it economically feasible for the owners literally to give buildings to eligible recipients. While the North Carolina legislation does not target charter schools, a similar structure could be arranged for them (and perhaps conventional public schools as well). North Carolina Senate Bill 396 (1998) is available on the Internet (www.ncga.state.nc.us/html1997/bills/senate/sbil0396.full.html).
- **Employers:** Florida's charter legislation allows employers to reserve some school seats for children of employees if they invest substantially in school facilities. See Section 228.056(22) of Florida's charter law (www.firn.edu/doe/bin00038/chrtlegi.htm)

- **Developers:** Some advocates have proposed allowing real estate developers to do the same as the employers, particularly since many large developers are already required to provide for school facilities as a condition of getting zoning or building permit approvals.

In the last two cases, one important policy issue concerns the degree to which enrollment preferences should be given to children of employees or residents of particular housing developments. Such an approach could undermine charter schools' open enrollment. Policymakers will have to balance the favorable effects of these preferences on the facilities climate with their impact on open-enrollment requirements of state charter school laws.

Option Five: Consider Other Ways to Improve the Facilities Climate

Option Five is a collection of measures state policymakers could use to make it easier for charter schools to obtain suitable, affordable facilities. These include:

- **Addressing investors' concerns about short charter terms:** Investors called upon to make 15- to 30-year commitments to charter schools are often concerned about the fact that the schools' charters will come up for renewal in three to five years. Some states (Arizona, the District of Columbia, and Michigan) have responded by lengthening the term of charters to as much as 15 years. Policymakers in other states, though, regard such long terms as antithetical to the accountability of charter schools. Perhaps more important is that the renewal process and the criteria by which charter schools are judged be crystal clear. Investors are willing to take on risk if they understand it; after all (as noted above), investors provide funds all the time to businesses with no "charters" at all. It is when the future seems *arbitrary* or subject to political pressures that risk assessment becomes difficult. State policymakers can render the future less arbitrary by clarifying charter school accountability policies.
- **Property tax exemption:** If it is not already clear in state law, the state legislature could clarify that, as public schools, charter schools are exempt from property taxes. Ideally, property owners leasing facilities to charter schools would obtain the same exemption and pass it on to the schools in the form of reduced lease payments.
- **Clarity regarding ownership:** While some argue that charter schools are generally better off leasing, some schools may find it financially advantageous to own. Ownership heightens the policy issue of what happens to the school's assets in the event the school fails—North Carolina, for example, has all "net" assets (that is, after creditors have been repaid) go to the local school district where the charter operated.
- **Enabling conversions of existing schools:** Some charter school laws allow existing public and private schools to convert to charter status. One advantage of conversions is that they may already have a suitable facility in place. States that disallow conversions can ease their facility problems by making conversions possible.

Other measures to consider to improve the facilities climate:

- ***Address investors' concerns about short charter terms***
- ***Provide clarity regarding ownership***
- ***Enable conversions of existing schools***

Beyond State Policy: Additional Tools to Address the Challenge

The foregoing pages have suggested that state policy can play a useful role in easing the facilities finance challenge for charter schools. But state policy is just one tool available to address these issues. The Charter Friends National Network is pursuing a variety of these additional tools, some of which will be the subject of additional publications. A brief summary, though, will help round out this discussion of the role of state policy:

- **Federal policy:** The U.S. Congress has recently considered legislation to provide federal funding and/or tax incentives for the construction and renovation of school facilities. As with other federal programs, any such initiatives should be framed in a way that charter schools have full access to an appropriate share of the benefit.
- **Local policy:** Though some states prohibit local government from providing capital to charter schools directly (see Option Two), many others do not. In these states, city and county governments can be enormously helpful to charter schools in many ways, including facilities financing. Cities in Florida, for example, have issued tax-exempt bonds to raise funds for charter school facilities, to be repaid by the charter school on favorable terms. Even in states where direct provision of funding to charter schools by cities and counties is not allowed, local governments can be on the lookout for ways to include charter schools in broader revitalization efforts. Jersey City, for example, leased space to a charter school in a major downtown development project financed with city bonds. Federal community development block grant funds in Washington, D.C., have been pledged for the charter school incubator described under Option Four. Charter schools in Minnesota have tapped existing city revolving loan pools for community development.
- **Friends group activities:** Most charter states are home to one or more "charter friends organizations" (such as charter school resource centers) that provide support to the charter movement (for a list, see the Charter Friends National Network's Web site at www.charterfriends.org/contacts.html). In addition to making policymakers aware of the options outlined in this report, these organizations can play many roles in helping address the facilities challenge (see box on page 19).
- **Creative responses by charter schools:** As this report noted at the outset, charter schools have responded to these challenges in hundreds of creative ways, and they will continue to do so. As with many aspects of the charter school world, public policy can only go so far to guarantee good outcomes. The rest falls on the shoulders of charter school entrepreneurs and their problem-solving capabilities.

Ways "Friends" Groups Can Help Address the Facilities Challenge

- ✓ **Information:** disseminating information to charter schools about creative financing arrangements
- ✓ **Recruiting founders:** recruiting existing organizations (including existing schools where conversion is allowed) to start charter schools, since existing organizations may have facilities to use or be in a good position to obtain financing because of their history
- ✓ **Needs assessment:** conducting statewide facilities needs assessments to inform policymakers and the private sector
- ✓ **Fundraising:** raising private funds for the sort of pools described under Option Three
- ✓ **Finance pool organizing:** serving as organizers of these pools—marketing the availability of funds, helping charter schools apply, recruiting investors
- ✓ **Recruiting volunteers:** mobilizing "pro bono" services (attorneys, financial advisors, and so on) to help lower the transactions costs of financing and to ensure charter schools have access to expertise
- ✓ **Business-side assistance:** helping make charter schools more attractive to investors by getting "the business side" of their operations in order through trainings, materials, and one-on-one help
- ✓ **Brokers:** serving as brokers between charter schools and the many emerging private providers of capital, as well as helping charter schools become intelligent customers of these services

Conclusion and Next Steps

The Charter Friends National Network offers these options as part of a broader effort to improve charter schools' access to suitable facilities nationwide. In addition to making these policy recommendations, the Charter Friends project is also working with organizations in several states to pursue other approaches to "paying for the charter schoolhouse." If you have questions about the Friends Network's activities, suggestions for future initiatives, or would like to receive updates as this initiative moves forward, please contact Bryan Hassel (704-370-0357 or bhassel@aol.com).

Appendix A: How States Handle Per-pupil Facilities Funding for Charter Schools

State	Annual amount per pupil (approx.)	Basis for amount	Source	Flexibility	Incentives Economy	One-time funding for capital?
Arizona	$900-$1,200	charter capital needs and amount received by school districts for capital	follows the child from the district of residence	schools may spend funds for any legitimate purpose	funds not expended on facilities available for other uses	no
District of Columbia	$600	approx. 60% of per-pupil capital expenses in district	federal appropriation	schools may spend funds for any legitimate purpose	funds not expended on facilities available for other uses	no
Florida	$387-$587*	1/30 of official state cost of new school construction	state appropriation	schools may use funds to pay for capital-related expenses only	none	yes — payments of $5,800-$8,800 per pupil**
Massachusetts***	$260	per pupil state capital expenditure	state appropriation	schools may spend funds for any legitimate purpose	funds not expended on facilities available for other uses	no
Minnesota	up to $465 in building lease aid plus $168 in other funds	average per-pupil funding for district capital expenditures	state appropriation	schools may only spend funds to pay leases	state reimburses only 80% of actual lease cost, up to maximum	no

* Florida's annual funding ("PECO" funds) is only available to schools beginning in their third year of operation.

** Districts can apply for these funds if district students attend charter schools in nondistrict facilities. Charter schools must negotiate a share of the funds districts receive. Per-pupil amounts are $5,800 for elementary, $6,650 for middle, and $8,800 for high schools.

*** Massachusetts' funding is a one-time appropriation for 1998-99.

Appendix B: Resources on Charter School Facilities Finance

Other studies of charter school facilities issues

Massachusetts Charter School Resource Center, *Charter School Facility Financing: Constraints and Options* (February 1998). Available from the Pioneer Institute (617-723-2277).

RPP International, *A National Study of Charter Schools: Second Year Report* (1998), pp. 91-105. Available online (ed.gov/pubs/charter98).

Chester E. Finn, Jr., Bruno V. Manno, Louann A. Bierlein, and Gregg Vanourek, "The Birth-Pains and Life Cycles of Charter Schools," Part II of *Charter Schools in Action Final Report* (1997). Available online (edexcellence.net/chart/chart2.htm) or by calling the Hudson Institute (800-483-7660).

Legislation

Arizona (annual per-pupil funding for facilities)

Contact: John Schilling
Arizona Department of Education
602-542-5754

Links to Legislation:
www.azleg.state.az.us/ars/15/185.htm
www.azleg.state.az.us/ars/15/185-01.htm
[Note: amendments in 1998 added to the amounts specified in these statutes]

Colorado (tax-exempt bonds for charter schools)

Contact: Mark Gallegos
Colorado Educational and Cultural Facilities Authority
303-297-7332

Links to Legislation: www.state.co.us/gov_dir/leg_dir/sess1998/sbills98/sb082.htm

District of Columbia (annual per-pupil funding for facilities)

Contacts: Nelson Smith
The District of Columbia Public Charter School Board
202-887-5011

Joseph Carrillo
DC Public Schools
202-442-5183

Florida (annual AND one-time per-pupil funding for facilities; workplace charters)

Contact: Cathy Wooley-Brown
Florida Charter School Resource Center
813-974-3700

Links to Legislation: One-time per-pupil funding (SIT Fund)—two sites:

http://www.leg.state.fl.us/citizen/documents/statutes/1998/ch0235/SEC2155_.HTM#0235.2155 [note: this address is one continuous string]

http://www.leg.state.fl.us/citizen/documents/statutes/1998/ch0235/SEC216__.HTM#0235.216 [note: this address is one continuous string]

Annual per-pupil funding—see section 228.0651 of the charter law:

http://www.firn.edu/doe/bin00038/chrtlegi.htm

Charters in the workplace—section 228.056(22) of the charter law (above).

Massachusetts (annual per-pupil funding for facilities)

Contact: Massachusetts Department of Education
617-727-0037

Minnesota (annual per-pupil funding for facilities)

Contact: Gary Farland
Minnesota Department of Children, Families, and Learning
651-582-8200

Links to Legislation: Building Lease Aid: www.revisor.leg.state.mn.us/stats/124D/11.html

To read more: Charter Friends National Network's write-up on Building Lease Aid, online: www.charterfriends.org/mnfacilities.html

North Carolina (tax-exempt bonds for charter schools)

Contact: Jones Norris
North Carolina Educational Facilities Finance Authority
919-715-3730

Links to Legislation: www.ncga.state.nc.us/html1997/bills/ratified/senate/sbil1556.full.html

Charter school loan pools and credit enhancement programs

California Department of Education Charter School Loan Pool

Contact: Ging Tucker (916-324-4536)

Read more at: www.cde.ca.gov/ftpbranch/retdiv/charter/revloan1.html

Charter Schools Development Corporation (Kinder Mae)

Contact: Richard Thompson (202-739-9630) or Mindy Kaiden (202-739-9796)

Read more at: Education Week on the Web (www.edweek.org/ew/vol-18/12chart.h18)

Connecticut Health and Education Facilities Fund

Contact: David Eikenberry (800-750-1862)

For general information: Visit the CHEFA Web site (www.chefa.com)

The Financial Foundation for Texas Charter Schools

Contact: Molly Ladd (713-420-5306)
The Foundation is affiliated with the Charter School Resource Center of Texas.

For general information: Visit the Resource Center Web site (www.charterstexas.org)

Illinois Facilities Fund

Contact: Joe Neri (312-629-0060)

National Cooperative Bank

Contact: Kerine McNicholas (202-336-7729)

For general information: Visit the NCB Web site (www.ncb.com)

Prudential's Social Investments Program

Contact: John Kinghorn (201-802-6995)

For general information: Visit the Prudential Social Investments Program Web site (www.prudential.com/community/corporate/cmczz1005.html)

Self-Help

Contact: Laura Benedict (919-956-4400)

For general information: Visit Self-Help's Web site (www.selfhelp.org) and look for Community Facilities Fund

Other initiatives and resources

Qualified Zone Academy Bond program

Contact: Dr. Laurence Peters (202-401-0843)

Web site: ed.gov/offices/OVAE/qzab.html

DC Public Schools Policy on disposing of surplus facilities

Web site: www.k12.dc.us/DCPS/policies/other_policies.html/disposition_amend.html

AppleTree Institute Charter School Incubator (federal community development funds; low rent in surplus government office space)

Contact: Jack McCarthy (202-488-3990)

National List of Charter School Friends Organizations

Web site: www.charterfriends.org/contacts.html

National List of Community Development Financial Institutions

Web site: www.communitycapital.org

About the growing role of "Charter Friends..."

Charter schools depend on the passion and commitment of their founders and their determination to address the educational needs of the students and communities they serve. But even the best charter founders and operators cannot succeed entirely in isolation. They require an infrastructure of technical and informational support to help design quality schools, obtain charters, and launch and successfully sustain their operations.

In response to these needs, a number of state and sub-state resource centers and other charter support organizations are emerging throughout the country. Some of these organizations were initially established to help build public awareness and legislative support for state charter school laws. Once laws are passed, their attention tends to focus on recruiting and assisting charter applicants and providing charter operators ongoing technical assistance and other forms of support.

These "Charter Friends" organizations assist charters with a variety of issues and needs, including school planning, governance, financing, curriculum, assessment and accountability, facilities, and other ingredients in starting and running high-quality schools. Most are privately funded, nonprofit organizations, but they sometimes charge fees to help cover the cost of their operations. They attract fiscal and administrative support from foundations, businesses, think tanks, academic institutions, and individuals. They are most often organized on a state level, but sometimes have a more narrow geographic focus within a state.

About the Charter Friends National Network...

Just as no charter school can succeed in total isolation, state and sub-state "Charter Friends" organizations have found value in the relationships and support they gain from each other. With charter schools now authorized in 34 states and the District of Columbia, both the number of these organizations and the potential for mutual shared support have grown rapidly.

In response to these needs and opportunities, Charter Friends National Network was established in early 1997 as a project of the St. Paul-based Center for Policy Studies in cooperation with Hamline University.

The Network's mission is to promote the charter opportunity by helping start and strengthen resource centers and other state-level charter support organizations. The Network pursues its mission through publications, conferences, online communications, a grant program, and multi-state initiatives on high-priority issues. In 1999, these initiatives include charter school accountability, facilities financing, special education, and federal policy development.

Charter Friends National Network began as an expansion of the work of Ted Kolderie, senior associate at the Center for Policy Studies and a leader in the national charter movement from its beginning. Its director is Jon Schroeder, a veteran Minnesota policy analyst and journalist who played a major role in the design and passage of the federal charter grant program as policy director for former U.S. Senator Dave Durenberger. Leading the Network's outreach initiative is Eric Premack, who heads the Charter Schools Development Center at California State University and is one of the nation's top experts on both charter school policy and operations. Several nationally known consultants are also engaged for work on for specific initiatives like this policy paper and related activities on facilities financing.

For more information on the Network and its activities or to obtain additional copies of this paper, contact: Charter Friends National Network, 1745 University Avenue, Suite 110, St. Paul, MN 55104; 651-649-5479 (voice); 651-649-5472 (fax).